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BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP
Chairman
GARY PIERCE
Commissioner
BRENDA BURNS
Commissioner
BOB BURNS
Commissioner
SUSAN BITTER SMITH
Commissioner

Arizona Corporation Commission

DOCKETED

SEP 23 2013

DOCKETED BY

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IN THE MATTER OF THE JOINT
APPLICATION OF QWEST
CORPORATION D/B/A CENTURYLINK
QC, QWEST COMMUNICATIONS
COMPANY, LLC, QWEST LD CORP.
D/B/A QWEST LONG DISTANCE,
EMBARQ COMMUNICATIONS, INC.
D/B/A CENTURYLINK
COMMUNICATIONS AND EMBARQ
PAYPHONE SERVICES, INC. FOR
APPROVAL OF A WAIVER OF
COMPLIANCE WITH THE PROVISIONS
OF ACC RULES RELATING TO PUBLIC
UTILITY HOLDING COMPANIES AND
AFFILIATED INTERESTS ARIZONA
ADMINISTRATIVE CODE, TITLE 14,
ARTICLE 8.

DOCKET NOS. T-01051B-13-0218,
T-02811B-13-0218, T-04190A-13-0218,
T-20443A-13-0218, T-03555A-13-0218

DECISION NO. 74092

ORDER

Open Meeting
September 10 and 11, 2013
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Qwest Corporation d/b/a CenturyLink QC, Qwest Communications Company, LLC
d/b/a CenturyLink QCC, Qwest LD Corp. d/b/a CenturyLink LD, Embarq Communications, Inc.
d/b/a CenturyLink Communications, and Embarq Payphone Services, Inc. d/b/a CenturyLink on
behalf of themselves and their parent corporation CenturyLink, Inc. (collectively the "CenturyLink
...

Companies”) are certificated to provide telecommunications services within the State of Arizona, pursuant to authority granted by the Arizona Corporation Commission (“Commission”).

INTRODUCTION

2. On June 28, 2013, Qwest Corporation d/b/a CenturyLink QC, Qwest Communications Company, LLC d/b/a CenturyLink QCC, Qwest LD Corp. d/b/a CenturyLink LD, Embarq Communications, Inc. d/b/a CenturyLink Communications, and Embarq Payphone Services, Inc. d/b/a CenturyLink on behalf of themselves and their parent corporation CenturyLink, Inc. (collectively the “CenturyLink Companies”) filed an application requesting a waiver from the Arizona Corporation Commission (“Commission”) Arizona Administrative Code (“A.A.C.”) Public Utility Holding Companies and Affiliated Interests Rules R14-2-803 through R14-2-805 (the “Affiliated Interest Rules”).

BACKGROUND

3. On January 24, 2013, the State of Arizona Fifty-first Legislature First Regular Session introduced House Bill 2482 (“HB 2482”) which amends Arizona Revised Statute (“A.R.S.”) 40-285. A.R.S. § 40-285 requires Commission approval of the disposition of plant by a public service corporation and acquisition of capital stock of a public service corporation by other public service corporations. HB 2482 adds language to A.R.S. § 40-285 that exempts telecommunications corporations whose retail services are all classified as competitive by the Commission from the requirements specified therein. HB 2482 was passed by the Arizona Legislature on May 1, 2013, signed by the Governor on May 2, 2013, and will become effective on September 13, 2013. Below is the specific language added to A.R.S. § 40-285:

F. This section does not apply to a telecommunications corporation whose retail telecommunications services are all classified as competitive by the Commission, except as may otherwise be determined by a Commission order after the effective date of this amendment to this section.

4. The Commission’s Affiliated Interest Rules specify restrictions regarding transactions between Class A public utilities and their affiliates. A.A.C. R14-2-803 requires a public utility to notice the Commission of its intention to organize or reorganize a public utility

1 holding company including specific financial and organizational information, diversification plans,
2 and changes to the cost of service and the cost of capital related to reorganization. A.A.C. R14-2-
3 804 restricts a public utility from transacting business with an affiliate unless the books and
4 records of the affiliate are made available to the Commission. A.A.C. R14-2-805 requires annual
5 reports from public utilities relating to the diversification plans and other business activities
6 between the utility and its affiliates.

7 **STAFF ANALYSIS**

8 5. The CenturyLink Companies (with the exception of Qwest Corporation d/b/a
9 CenturyLink QC ("CenturyLink QC")) were each granted a Certificate of Convenience and
10 Necessity ("CC&N") to provide competitive telecommunications services in Decision Nos. 66612
11 (December 9, 2003) and 68447 (February 2, 2006), 66613 (December 9, 2003), 68828 (June 26,
12 2006), and 61049 (August 6, 1998), respectively. CenturyLink QC is an incumbent local exchange
13 carrier as defined by the Telecommunications Act of 1934 (as amended) and A.A.C. R14-2-
14 1302.10. In Decision No. 73354 (August 21, 2012), the Commission approved a settlement
15 agreement which granted CenturyLink QC's request to have its retail local exchange services
16 classified as competitive, subject to conditions, pursuant to A.A.C. R14-2-1108.

17 6. In its application, the CenturyLink Companies contend that the Affiliated Interest
18 Rules overlap the transactions identified in A.R.S. § 40-285 (although more extensive in scope)
19 and therefore, the logic for exempting telecommunications corporations whose services have been
20 classified as competitive by the Commission from the A.R.S. § 40-285 should apply to the
21 Commission's Affiliated Interest Rules. Staff believes there is some merit to this argument.

22 7. The CenturyLink companies make the request pursuant to A.A.C. R14-2-806, which
23 provides that the Commission may waive compliance with any of the provisions of the Affiliated
24 Interest Rules upon finding that such a waiver is in the public interest. Staff believes a waiver is in
25 the public interest subject to the following conditions which should be included as part of the
26 annual report filed with the Commission pursuant to A.A.C. R14-2-510-G.4:

27 ...

28 ...

- 1 • For any year in which the CenturyLink Companies reorganize (as defined in A.A.C.
2 R14-2-801.5), provide an organizational chart of the holding company that identifies all
3 affiliates and their relationships within the holding company.
- 4 • For any year in which the CenturyLink Companies reorganize (as defined in A.A.C.
5 R14-2-801.5), provide reference to all relevant available 8K, 10Q and 10K reports filed
6 by the reporting CenturyLink Company with the Securities and Exchange Commission
7 (“SEC”) and any other federal or state agencies.
- 8 • For any year in which the CenturyLink Companies reorganize (as defined in A.A.C.
9 R14-2-801.5), provide the name, home office location, and description of the
10 CenturyLink Companies’ affiliates with whom affiliate transactions occur, their
11 relationship to each other and the public utility, and the general nature of their business.
- 12 • Provide a description of any new contracts or agreements entered during the annual
13 period between a CenturyLink Company and an affiliate to receive or provide
14 management, engineering, accounting, legal, financial (or other similar services), or to
15 purchase or sell goods or real property.
- 16 • Provide the dollar amount transferred between the CenturyLink Companies and each
17 affiliate and the purpose of each transfer for management, engineering, accounting,
18 legal, financial or other similar services, or for the purchase or sale of goods or real
19 property during the annual period. Only amounts of \$50,000,000 or greater would be
20 included.

21 8. Staff believes that the above information would allow the Commission to see the
22 activities that take place between the CenturyLink Companies and any affiliates and allow for
23 further investigation, if necessary. To the extent that the information above is provided in order to
24 comply with any SEC reporting requirements, the CenturyLink Companies may elect to cite the
25 reports filed with the SEC that would contain the information above. In order to have access to the
26 information above on a continuing basis, the annual report form prescribed by the Commission
27 will be amended to require the additional information.

28 9. Therefore, Staff recommends that the CenturyLink Companies be granted a waiver
of A.A.C. R14-2-803 through A.A.C. R14-2-805, pursuant to A.A.C. R14-2-806, with the
condition that the information contained in Finding of Fact No. 7 be filed with Qwest Corporation
d/b/a CenturyLink QC’s Utilities Division annual report.

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1. The CenturyLink Companies are Arizona public service corporations within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over the CenturyLink Companies and over the matter of the Application.

3. The Commission, having reviewed the application and Staff's Memorandum dated 27, 2013, concludes that it is in the public interest to approve the CenturyLink Companies for a waiver of A.A.C. R14-2-803 through A.A.C. R14-2-805, with the conditions set forth in Finding of Fact No. 7.

ORDER

IT IS THEREFORE ORDERED that the CenturyLink Companies request for a waiver of R14-2-803 through A.A.C. R14-2-805 is hereby approved as discussed herein.

IT IS FURTHER ORDERED that Qwest Corporation d/b/a CenturyLink QC provide the information contained in Finding of Fact No. 7 as part of the annual report filed with the Commission pursuant to A.A.C. R14-2-510-G.4, beginning with the annual report to be filed no later than April 15, 2014.

IT IS FURTHER ORDERED that if the information specified in the above ordering paragraphs is available in any report filed with the Securities and Exchange Commission, the CenturyLink Companies may elect to cite the report filed with the Securities and Exchange Commission.

IT IS FURTHER ORDERED that this decision remain in effect until further order of the Commission.

IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

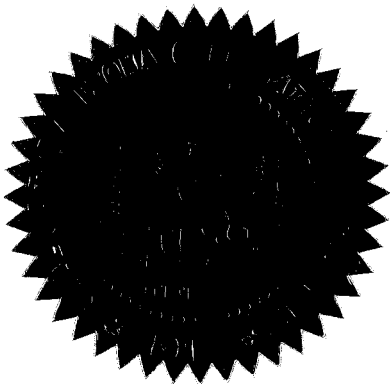

CHAIRMAN


COMMISSIONER


COMMISSIONER


COMMISSIONER


COMMISSIONER



IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 23rd day of September, 2013.


JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:CLA:sms/MAS

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